

**BAHAMAS INTERNATIONAL SECURITIES EXCHANGE
LIMITED**

BISX RULES

Contents

SECTION 2: CONDUCT OF BUSINESS.....	3
Subsection 1: Provision Of Services To A Client.....	4
Subsection 2: Honesty	4
Subsection 3: Diligence.....	5
Subsection 4: Capabilities	5
Subsection 5: Information About Clients	6
Subsection 6: Client's Instructions.....	7
Subsection 7: Information For Clients	7
Subsection 8: Cash And Securities Owned By A Member.....	8
Subsection 9: Money And Assets Which Are The Property Of Clients.....	9
Subsection 10: Personal Transactions	9
Subsection 11: Issue Of Contract Or Confirmation Notes To Clients.....	9

BAHAMAS INTERNATIONAL SECURITIES EXCHANGE

SECTION 2: CONDUCT OF BUSINESS

Subsection 1: Provision Of Services To A Client

1. When providing a service to a client a Member must observe the following principles:
 - (i) act honestly and fairly in conducting its business activities in the best interests of its clients and the integrity of the market;
 - (ii) act with due skill, care and diligence, in the best interests of its clients and the integrity of the market;
 - (iii) have and employ effectively the resources and procedures that are necessary for the proper performance of its business activities;
 - (iv) seek from its clients information regarding their financial situations, investment experience and objectives as regards the services requested;
 - (v) make adequate disclosure of relevant material information in its dealings with its clients; and
 - (vi) try to avoid conflicts of interests and when they cannot be avoided, ensure that the interests of its clients are given priority and that they are at all times fairly treated.
2. Violation of the standards of suitability and conduct of business is regarded as a breach of these Rules.
3. In the course of acting in the capacity of broker dealer the Member must ensure that it and its directors, employees and agents conduct themselves and the business of the Member so as to uphold the standards set out in the subsequent subsections.

Subsection 2: Honesty

1. A Member must act honestly and be in good standing for the purposes of conducting its business activities.
2. A Member, its directors, employees, its associates or their families must not offer or give, or solicit or accept either in the course of its business or otherwise any inducement which is likely to conflict with the duties owed by the recipient (or the recipient's employer) in connection with its business.
3. A Member must avoid misleading and deceptive acts and representations and must honour its obligations.
4. A Member must not engage in any transaction or induce the purchase, sale, or exchange of any security by means of any manipulative, deceptive or any fraudulent practice or activity.
5. A Member must not charge clients unreasonably for the services it has performed and must disclose to the client the basis or amount of its charges for the provision of those services and the nature and amount of any other remuneration receivable by it or, so far as it is aware, by its associates.
6. Advertisements for business or recommendations to buy or sell securities (including investment research material) distributed or published by a Member shall be truthful, fair, not

misleading and clear to any reader, presented in a balance manner, avoid incorrect comparisons and material omissions and contain suitable risk warnings.

7. A Member must neither advise a client to deal nor exercise discretion over the client's investments by dealing on the client's behalf unless the Member has taken all reasonable steps to ensure fair treatment for the client in instances where the Member has a material personal interest in the securities to be traded with or on behalf of the client.

Subsection 3: Diligence

1. A Member must act with due skill, care and diligence in conducting its business activities and must take all reasonable steps to protect and secure the funds and property of clients for which it is responsible.
2. A Member must not seek to exclude liability in any written communication or otherwise for its failure, or that of any entity it manages or intends to manage, in complying with these Rules.
3. A Member must permit the client for whom the Member intends to supply a recommendation or investment research to have a reasonable opportunity to react thereto before the Member deals for its own account in the relevant securities.
4. A Member must deal with its clients and its own account transactions fairly so as to ensure that the client is not disadvantaged. Clients' orders must be executed on a timely basis. If all orders cannot be satisfied the Member must give priority to satisfying the orders for clients before those of the Member and its associates.
5. A Member must deal with or for a client at the best price (including commissions and charges) reasonably obtainable and otherwise to the client's best advantage. Where there is no market price information available, the Member must use its market knowledge to obtain the best price in the circumstances.
6. A Member must not deal too frequently on a discretionary basis for a client.
7. A Member must take all reasonable steps to ensure that transactions executed for a client are settled promptly in accordance with these Rules.

Subsection 4: Capabilities

1. A Member must have and use effectively the resources (including staff and equipment) necessary for the proper performance of its activities.
2. A Member must ensure that its employees are suitable, competent, adequately trained, and aware of the laws and regulations of the Commission and the Exchange's Rules relevant to their business activities and are properly supervised. A Member should have arrangements for recruitment including vetting of applicants for employment and taking up of references.
3. A Member must have rules and procedures for its employees in respect of unsolicited calls on potential clients. These rules must set high standards of behaviour.
4. A Member must avoid conflicts of interest and, if they do occur, must ensure that all clients are treated both fairly and in an equitable manner so that they are not disadvantaged.

5. A Member must have arrangements whereby none of its directors or employees deals in securities in the following circumstances:
 - (i) with any of the Member's clients other than through other appropriately licensed entities and that they report promptly to the Member in writing any transactions for their own account unless the transaction has been carried out through their own Member, or
 - (ii) for its own account in an investment and in circumstances where it knows the Member intends to publish a written recommendation or research material or at the time or in a manner which could have a direct adverse affect on the interest of the Member or any of its clients.
6. Any arrangements precluding a director or an employee from entering into a transaction must also prohibit the director or employee procuring any other person to carry out such a transaction on its or its associates' behalf

Subsection 5: Information About Clients

1. A Member should obtain from its clients, information about their financial situation, investment experience and investment objectives relative to the services to be provided. A Member may request any other information that might be relevant in determining the responsibilities of the Member to its clients. Collectively, this information enables a Member to make suitable recommendations for each client or arrange suitable discretionary transactions.
2. A Member should assess the suitability of any prospective investment proposed to be undertaken by the client for his needs and risk tolerance and similarly when handling any type of public offer of securities must take care that its offering is suitable for the client's investment needs, and risk tolerance.
3. The professional nature of the client shall be assessed by the Member with respect to the investor from whom the Order originates, regardless of where the instructions emanated.
4. A client must have been given the opportunity to understand the nature of the risks that would be involved in and steps that might be taken by the Member on behalf of the client. On request a full and fair account of fulfilment of its responsibilities to the client must be made available for that client.
5. Every Member must maintain full, accurate and up-to-date records for each client as follows:
 - (i) information about his resources, risk tolerance and financial standing and knowledge of securities and issuers such that the Member knows that the client's instructions will be correctly carried out and when cash or securities are needed to settle transactions such payment or delivery can be expected by the Member;
 - (ii) for each and every transaction done by the Member, or on its behalf, for clients and the Member itself, sufficient details that provide a full audit trail of the transaction, identity of securities traded, size of transaction and other details that are required by these Rules to be included on contract notes sent to clients and payment and delivery details and identity of any counter-party(ies);

- (iii) details of outstanding positions of clients, and of the Member itself, in each security throughout the business day; and
 - (iv) copies of all written agreements and client authorizations established between the Member and each client and any amendments thereto.
- 6. Before executing transactions generally for or exercising discretion on behalf of a client the Member must have obtained the client's written authorisation between the Member and the client.
- 7. A Member shall require a client to disclose whether they are an affiliated person of a Member.
- 8. If a client is an affiliated person of a Member then that client must be informed that information on the following will be forwarded to the Compliance Officer of the Member with whom they have an affiliation:
 - (i) the fact that their account has been opened,
 - (ii) copies of Contract Notes for all their transactions from that account on The Exchange, and
 - (iii) copies of all their monthly statements for that account.
- 9. A Member shall not seek to exclude or restrict any duty or liability to a client that it has under any laws, regulation or rule.
- 10. A Member must ensure that client information is current and up to date.

Subsection 6: Client's Instructions

1. A Member must maintain a record of the instructions given by each client incorporating the date and time of the instruction such that the instruction can be checked against individual transactions after execution. Particulars taken from those records that are required by the Exchange must be entered immediately in the form prescribed from time to time.
2. Where the Member offers advice or recommendation as to the course of action that should be taken by the client, before taking instructions from a client, a record of that advice or recommendation should be made. This record will facilitate resolution of any dispute that may subsequently arise between the client and the Member.
3. Where a client amends or cancels an instruction to the Member, the Member must record this as though it were part of an instruction.

Subsection 7: Information For Clients

1. A Member must provide the following information in writing to clients and potential clients, before taking action for or on behalf of a client:
 - (i) the number of the licence issued for its securities business on all written communications and advertisements issued by the Member;

- (ii) all relevant material information in dealing with its clients including whether client money will or might be deposited with a Member which is an associate of the Member and, if so, the name of the Member;
 - (iii) details of the basis on which services of the Member are supplied and all charges for services performed by the Member;
 - (iv) the compensation arrangements or other protection applicable to the transaction and what cover is offered by such system, or if there is no fund or compensation available.
2. Before recommending a transaction to a client the Member must take reasonable steps to give sufficient information and explanation to enable the client to understand the nature of the risks involved including, with respect to illiquid securities, the possible consequence of illiquidity at the time the client wishes to sell.
3. A Member controlled by, or controlling or under common control with, the issuer of a security recommended to a client for purchase or sale shall disclose to the client the existence of such relationship prior to the execution of the transaction.
4. No trade shall be done without a written client agreement between the Member and the client signed by both parties.
5. A client agreement may not be entered into by a Member solely as a result of a telephone call.
6. A Member must take reasonable steps to give a client its advises, in a comprehensible and timely way, any information necessary to enable him to make a balanced and informed decision. A Member should similarly be ready to provide a client with a full and fair account of the fulfilment of its responsibilities to him.
7. A Member must obtain a client's written consent, after explaining the risks involved to the client, before entering into a transaction under which a client will or could incur further financial obligations or under which the client will purchase a security, which is not covered by the Exchange's Rules.
8. A Member must provide timely and accurate reports to the client about business undertaken for the client. In cases where the Member executes a sale or purchase of a security for a client the Member must send to its clients a contract note containing the essential details of the transaction, as specified in these rules.
9. A Member shall not include any untrue statements or misleading information or exaggeration or omit by selection any material fact which is necessary for a proper understanding of the communication or which would otherwise make the communication misleading. All such communications shall be prepared and distributed to the highest standards consistent with the Rules for conduct of business.

Subsection 8: Cash And Securities Owned By A Member

A Member must reconcile its accounts and records for cash and safe custody of documents of title to maintain the correct allocation of these assets that are beneficially owned by the Member. Such reconciliations must be made every day.

Subsection 9: Money And Assets Which Are The Property Of Clients

1. A Member must reconcile its accounts and records for cash and securities of clients so that they are clearly allocated at all times. Such reconciliations must be made every day and must always distinguish between Member assets and each client's assets.
2. Reconciliations must be effected by obtaining written confirmation each quarter from all third parties in respect to such assets held by them for the Member for the account of clients (including those held or controlled as collateral from clients).
3. A Member must maintain a separate bank account in which monies held for clients is deposited and keep full records of the respective clients for whom the money is held together with amounts and dates of transmission. Neither a Member, its bankers nor any other party with whom the Member deposits money, may place money that is due to or emanates from clients to its own bank accounts.
4. A Member must obtain a written certificate from its auditors addressed to the Exchange for submission to the Exchange within three months of the end of its financial year confirming that:
 - (i) separate bank accounts have been maintained for all clients monies throughout the financial year;
 - (ii) all movements of client monies in that period have taken place through such accounts; and
 - (iii) such accounts were and continue to be separate from the funds and assets of the Member.

Subsection 10: Personal Transactions

The Exchange may require a Member to implement reporting and monitoring procedures with respect to Orders placed as principal as well as for Orders placed as agent of Affiliated Persons.

Subsection 11: Issue Of Contract Or Confirmation Notes To Clients

Immediately following, and in any case within 24 hours after the transaction was executed, the Member must issue a contract note to the client for whom the transaction was executed, identifying the beneficiary.